VelocityMomo Indicator
User Manual

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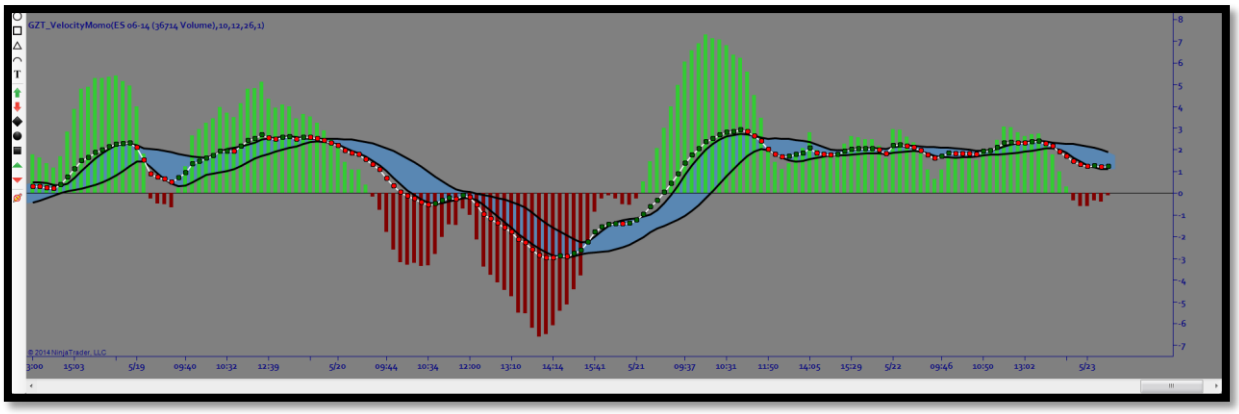
The GZT_VelocityMomo Concepts Explained:

The VelocityMomo indicator is a hybrid momentum indicator that combines 2 momentum indicators into one. The tool consists of the following 2 components:

1. **MTF (Multiple Timeframe) Velocity Histogram**
2. **MACD BB (Moving Average Convergence Divergence/Bollinger Bands)**



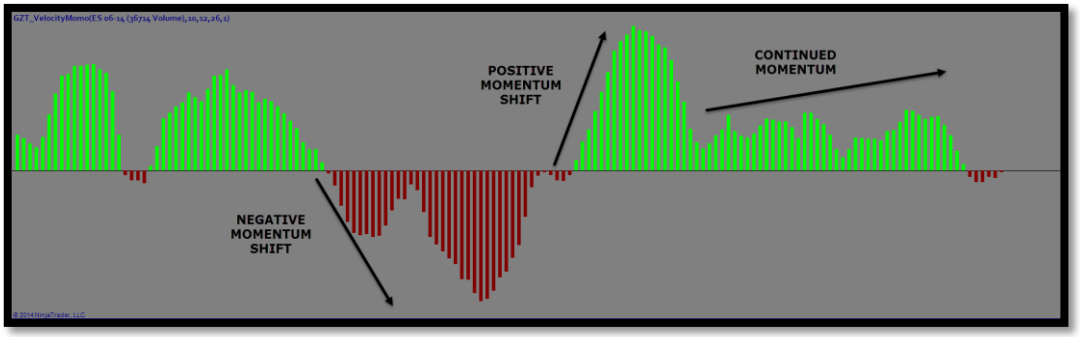
The tool represents 2 functions of use for gauging directional price momentum. When used for trading, market structure is a key component for understanding the current state of the market trading environment. When analyzing the trading environment there are 3 primary states:

- Trending markets
- Oscillating markets
- Rangebound/Choppy

In order to accurately read price direction traders often use tools to form directional bias towards looking for long or short positions. The key factor to consider is that price momentum will always shift and lead a change in market structure. Momentum will shift before a new trend can ever take place. This presents immediate trading opportunities before engaging in a trend or oscillating market trading environments.

Whether you implement trend trading principles or reversals, traders use momentum to formulate rule-based structure around directional bias.

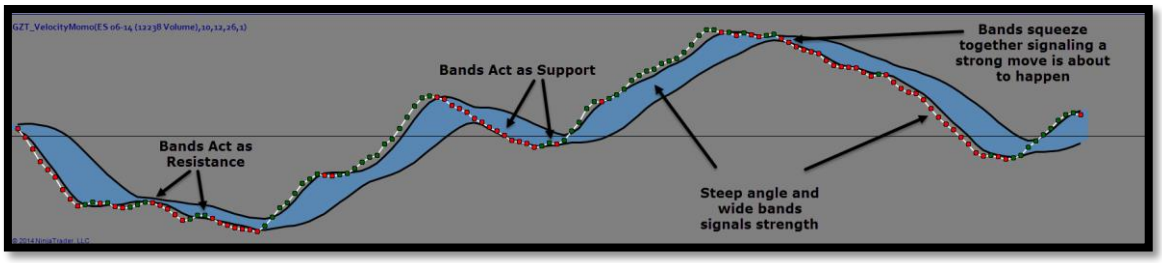
1. The **Velocity Histogram** measures multiple timeframe cycles using standard deviation of price and the velocity (speed of price change) from both immediate and higher timeframes. The histogram represent **immediate** directional price movement that leads trend formation.



2. The **MACDBB's** are a secondary measure of **long-term** price momentum. The BB's are made up of 2 components **(BB's & Bollinger Bands).**

    a. The **BB's** are the small dots that are each linked to the price bar above it. The BB's show us momentum represented by the price movement. The angle and distance between the BB's is another indication of strength or weakness in a trend. The BB's are connected with a line that helps identify the angel and spacing between the BB's

    b. The **Bollinger Bands** act as support and resistance. If the BB dots are above the bollinger bands the BB's use the bands as support. If the BB dots are below the bollinger bands the BB's use the bands as resistance. When the BB dots are between the bands, the BB's will often run towards the next level of support or resistance. When the bands spread farther apart, this signals strength in momentum towards a particular direction. When the bands contract and begin to squeeze together, this identifies a strong move may be underway and we can see a shift in price direction.


Bands squeeze together signaling a strong move is about to happen
Bands Act as Support
Bands Act as Resistance
Steep angle and wide bands signals strength

3. Using the indicator with both components is where we look at several aspects of reading momentum. The following components can aid in your analysis.

    a. **Fake-Outs (When the histogram shifts direction but the BB's don't follow)**
    b. **Zeroline Rejects (When the zeroline acts as support and resistance)**
    c. **Divergence (Relationship between price direction and momentum direction)**

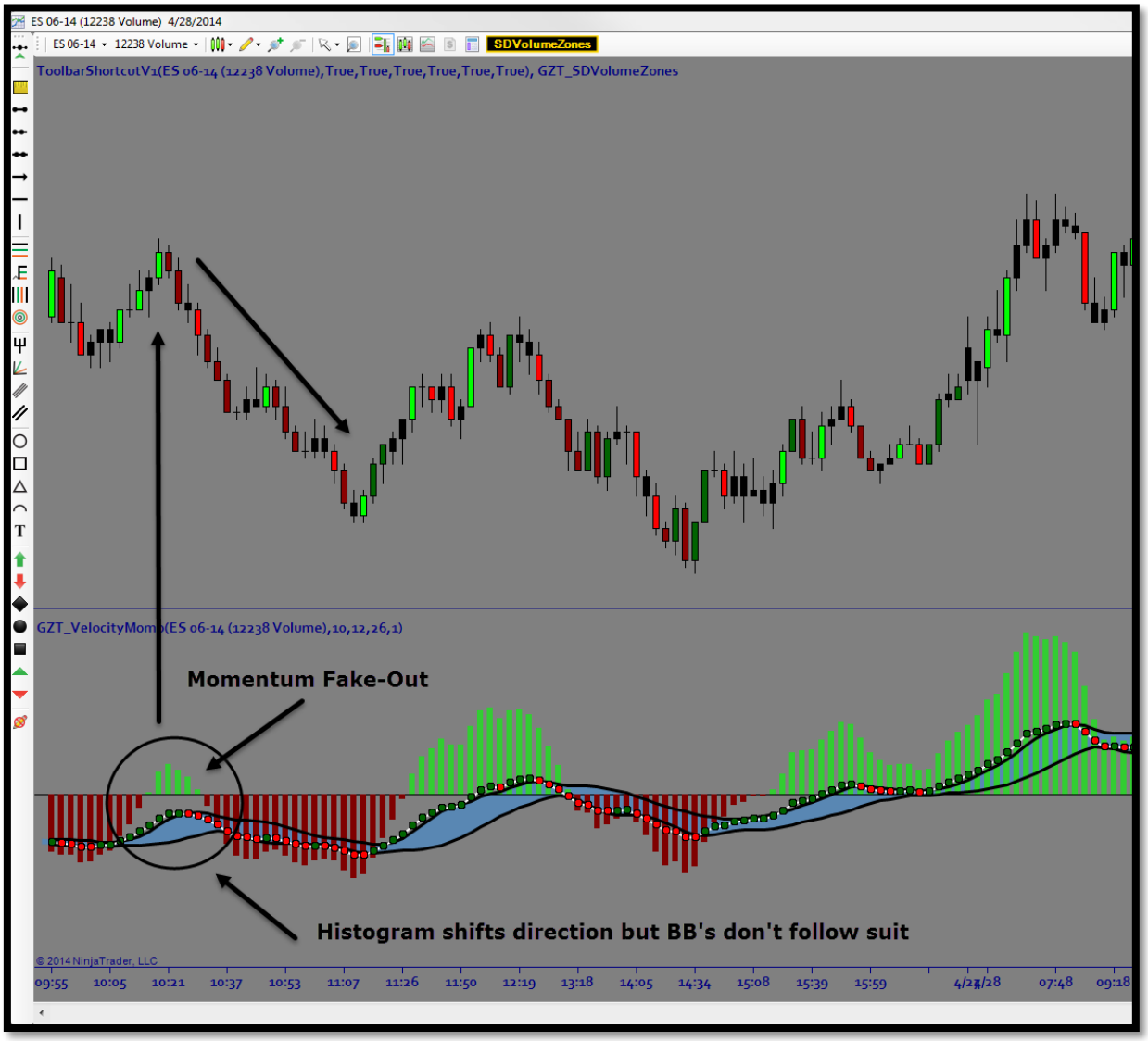
    Using a combination of the above methods of analysis can help you get a deeper perspective when looking at directional bias, entry patterns and leading analysis towards changes in price direction. Being able to identify when momentum acts as directional information, when it signals getting in and out of trades early or when it aids in seeing price and momentum discrepancies can all be invaluable information towards your bottom line as a trader.

    Please use the following 3 examples towards a better understanding of using the tool as intended. If you have any questions please email info@goldenzonetrading.com

Fake-Outs:

- Fake-Outs happen when price has a small shift in direction but can often fake traders out because the move is insignificant and will not follow through often leaving traders trapped.

- This is identified when the velocity histogram shifts direction but the MACD BB's have a fair distance from the zeroline and is not connected to the histogram.



Zeroline Rejects:

- A zeroline reject happens when the zeroline acts as major support or resistance.
- The zeroline reject is represented by it rejecting the MACD BB's
- When the histogram shifts direction (+/-) and the MACD BB gets rejected and the move fails to continue with strength.
- The directional move in price is usually insignificant with just a shift in direction of the histogram. Once a reject takes place a stronger move is usually represented with continued strength in the direction of the momentum reject.

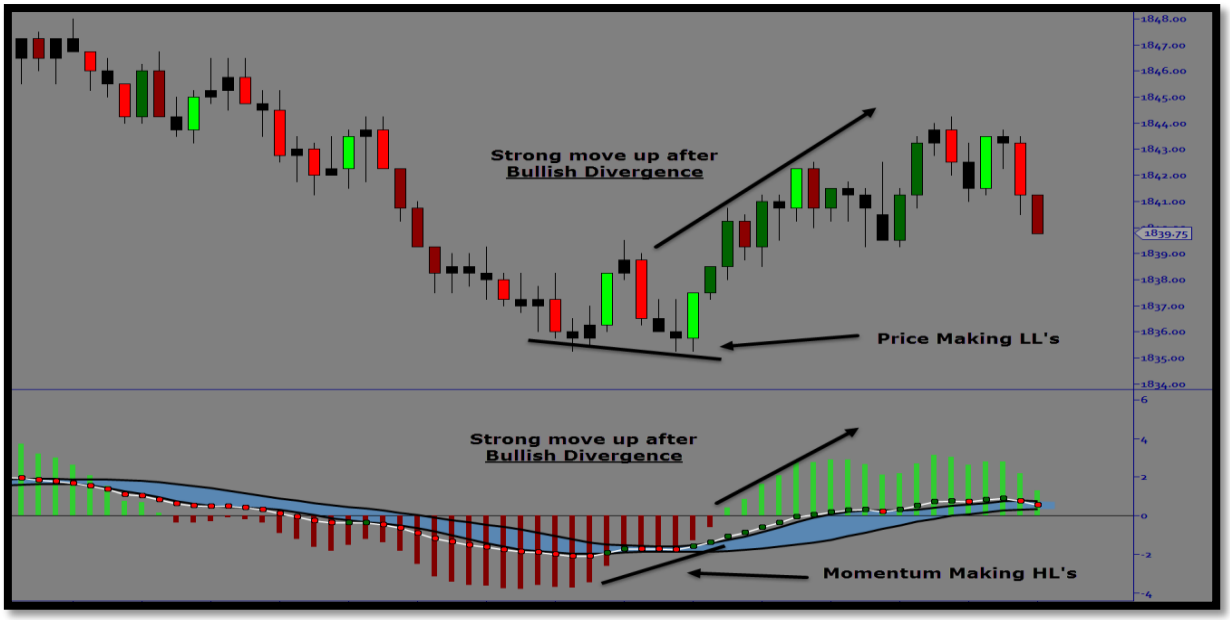
Bigger move up with reject
Weak move up with histogram shift
Bigger move down with reject
Weak move down with histogram shift
Zeroline Reject of BB's ZL = Resistance
Zeroline Reject of BB's ZL = Support

Divergence:

- The VelocityMomo provides us with two ways to measure divergence. We can use the velocity histogram as well as the MACD BB's.
- Divergence is measurable on any timeframe and any market as it is strictly the relationship between the direction of price and the direction of momentum. When price moves in one direction and momentum moves in the opposite direction this signals **divergence**.

Bearish Differential Divergence is when we have price making HH's and either the velocity histogram or the BB's are making LH's.

Bullish Differential Divergence is when we have price making LL's and either the velocity histogram or the BB's are making HL's.



VelocityMomo Base Concepts:

Concept	Definition
Velocity Histogram	- Measures immediate and MTF velocity cycle analysis
MACD BB's	- Measures moving average convergence divergence represented by BB dots and bollinger bands for support and resistance

VelocityMomo Parameters & Settings:

Group	Parameters	Allowable Values	Description
Parameters	**Lookback Fast EMA**	**Numerical Value > 0 Default = 12**	This is the fast EMA period used for the MACD BB indicator.
	Lookback Slow EMA	**Numerical Value > 0 Default = 26**	This is the slow EMA period used for the MACD BB indicator.
	Period Bollinger Bans	**Numerical Value > 0 Default = 10**	This is the bollinger band period used for the MACD BB indicator.
	Std. Deviation Multiplier	**Numerical Value > 0 Default = 1**	This is the standard deviation period used for the MACD BB indicator.
Data	**Calculate on bar close**	**True/False Default = False**	When set to false, indicator recalculates with every incoming tick on real-time data
Plots Colors	**Bollinger Average**	**Custom/Web/System Default = Transparent**	This allows the user to change the color of the bollinger band average line for the MACD BB.
	Bollinger Lower Band	**Custom/Web/System Default = Black**	This allows the user to change the color of the bollinger band lower band for the MACD BB.
	Bollinger Upper Band	**Custom/Web/System Default = Black**	This allows the user to change the color of the bollinger band upper band for the MACD BB.
	Channel Shading	**Custom/Web/System Default = Dodger Blue**	This allows the user to change the color of the bollinger band channel shading for the MACD BB.
	Connector	**Custom/Web/System Default = White**	This allows the user to change the color of the bollinger band BB connector line for the MACD BB.
	Dots Down	**Custom/Web/System Default = Red**	This allows the user to change the color of the bollinger band MACD BB down dots
	Dots Rim	**Custom/Web/System Default = Black**	This allows the user to change the color of the bollinger band MACD BB dots outline
	Dots Up	**Custom/Web/System Default = Dark Green**	This allows the user to change the color of the bollinger band MACD BB up dots
	Momo Histogram Hi Color	**Custom/Web/System Default = Lime Green**	This allows the user to change the color of the Velocity Histogram positive momentum
	Momo Histogram Lo Color	**Custom/Web/System Default = Maroon**	This allows the user to change the color of the Velocity Histogram negative momentum
	Zeroline	**Custom/Web/System Default = Black**	This allows the user to change the color of the Velocity Histogram and the MACD BB zeroline
Plot Parameters	**Dash Style Average**	**Line Style (solid/dash/dot/dash-dot/dash-dotdot/custom)**	User can select the type of line style they want to display for the bollinger band average

	Dash Style Bollinger Bands	**Line Style (solid/dash/dot/dash-dot/dash-dotdot/custom)**	User can select the type of line style they want to display for the bollinger bands
	Dash Style Zeroline	**Line Style (solid/dash/dot/dash-dot/dash-dotdot/custom)**	User can select the type of line style they want to display for the zeroline
	Dot Size MACD	**Numerical Value > 0 Default = 2**	User can select the size for the MACD BB dots.
	Opacity Channel Shading	**Numerical Value > 0 Default = 4**	User can select the opacity for the MACD BB channel
	Width Average	**Numerical Value > 0 Default = 3**	User can select the size for the MACD BB average line
	Width Bollinger Bands	**Numerical Value > 0 Default = 3**	User can select the size for the MACD BB bollinger bands
	Width Connector Colors	**Numerical Value > 0 Default = 2**	User can select the size for the MACD BB connector line
	Width Histogram Momo	**Numerical Value > 0 Default = 6**	User can select the size for the Velocity Histogram
	Width Zeroline	**Numerical Value > 0 Default = 1**	User can select the size for the zeroline